Title: REG–121475–03 (TD 9495-Final) Qualified Zone Academy Bonds: Obligations of States and Political Subdivisions.

Abstract: The regulations that provide guidance to state and local governments that issue qualified zone academy bonds and to banks, insurance companies, and other taxpayers that hold those bonds on the program requirements for qualified zone academy bonds. The final regulations implement the amendments to section 1397E and provide guidance on the maximum term, permissible use of proceeds, and remedial actions for qualified zone academy bonds.

Affected Public: State, Local, and Tribal Governments.

Estimated Total Annual Burden Hours: 3.

Bob Faber,

Acting Treasury PRA Clearance Officer.

[FR Doc. 2016–31212 Filed 12–23–16; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF THE TREASURY

Data Collection and Comments in Aid of Analyses of the Terrorism Risk Insurance Program

AGENCY: Departmental Offices, U.S. Department of the Treasury.

ACTION: Request for comments.

SUMMARY: The Terrorism Risk Insurance Act of 2002 (TRIA) created the Terrorism Risk Insurance Program (Program) to address disruptions in the market for terrorism risk insurance, to help ensure the continued availability and affordability of commercial property and casualty insurance for terrorism risk, and to allow for the private markets to stabilize and build insurance capacity to absorb any future losses for terrorism events. The Program has been reauthorized on a number of occasions, most recently in the Terrorism Risk Insurance Program Reauthorization Act of 2015. TRIA requires the Secretary of the Treasury (Secretary) to perform periodic analyses of certain matters concerning the Program. In order to assist the Secretary with this process, TRIA requires insurers to submit on an annual basis certain insurance data and information regarding participation in the Program. Treasury requests stakeholder feedback on the data collection forms proposed for use in the 2017 data collection process, pursuant to 31 CFR 50.51(c). Copies of these forms and associated explanatory materials are available for electronic review at *https://www.treasury.gov/resource-center/fin-mkts/Pages/program.aspx.* Treasury also seeks comments from interested parties on issues that Treasury will be analyzing in connection with its next report concerning the Program, which will address the participation of small insurers in the Program, including any competitive challenges such insurers face in the terrorism risk insurance marketplace.

DATES: Submit comments on or before February 27, 2017.

ADDRESSES: Submit comments electronically through the Federal eRulemaking Portal: *http://www.regulations.gov,* or by mail to the Federal Insurance Office, Attn: Richard Ifft, Room 1140 MT, Department of the Treasury, 1500 Pennsylvania Avenue NW., Washington, DC 20220. Because postal mail may be subject to processing delays, it is recommended that comments be submitted electronically. If submitting comments by mail, please submit an original version with two copies. Comments concerning the proposed data collection forms should be captioned with ‘‘2017 TRIA Data Collection Form Comments.’’ Comments addressing the participation of small insurers in the Program should be captioned with ‘‘2017 TRIA Small Insurer Study Comments.’’ Please include your name, group affiliation, address, email address, and telephone number(s) in your comment. Where appropriate, a comment should include a short Executive Summary (no more than five single-spaced pages).

FOR FURTHER INFORMATION CONTACT: Richard Ifft, Senior Insurance Regulatory Policy Analyst, Federal Insurance Office, Room 1410 MT, Department of the Treasury, 1500 Pennsylvania Avenue NW., Washington, DC 20220, at (202) 622–2922 (not a toll-free number), Kevin Meehan, Senior Insurance Regulatory Policy Analyst, Federal Insurance Office, at (202) 622–7009 (not a toll-free number), or Lindsey Baldwin, Senior Policy Analyst, Federal Insurance Office, at (202) 622–3220 (not a toll free number). Persons who have difficulty hearing or speaking may access these numbers via TTY by calling the toll-free Federal Relay Service at (800) 877–8339.

SUPPLEMENTARY INFORMATION:

I. Background

TRIA [1] directs the Secretary, beginning in calendar year 2016, to ‘‘require insurers participating in the Program to submit to the Secretary such information regarding insurance coverage for terrorism losses of such insurers as the Secretary considers appropriate to analyze the effectiveness of the Program[.]’’ [2] This information and data includes information regarding: (1) Lines of insurance with exposure to such losses; (2) premiums earned on such coverage; (3) geographical location of exposures; (4) pricing of such coverage; (5) the take-up rate for such coverage; (6) the amount of private reinsurance for acts of terrorism purchased; and (7) such other matters as the Secretary considers appropriate.

31 CFR 50.51 outlines the data collection process and requires insurers to submit the specified data and information relating to Program participation no later than May 15 of each calendar year. Treasury, through an insurance statistical aggregator, intends to establish a web portal, through which insurers will be able to submit the requested data. All information submitted via the web portal will be subject to the confidentiality and data protection provisions of applicable Federal law.

The first year of data collection under Section 104(h) was 2016. In March 2016, Treasury requested that participating insurers voluntarily submit 2015 insurance data.[3] This was done to ensure that Treasury data collection was both limited and meaningful. This voluntary collection identified the types of data and information sought by Treasury, and provided insurers with time to make adjustments to ease the burden of compliance with subsequent mandatory data collections. The collection templates proposed for use in calendar year 2017 follow from the form created for use in calendar year 2016, although certain changes have been made due to experience developed through the 2016 voluntary data call.

In addition, Section 108(h) of TRIA requires the Secretary to conduct, by June 30, 2017, a study of small insurers (to be defined by regulation by the Secretary, as has been done under 31 CFR 50.4(z)) participating in the Program to identify any competitive challenges that small insurers face in the terrorism risk insurance marketplace. Treasury's rules provide for the collection of data in connection with these small insurers (31 CFR 50.52), and Treasury has also identified several questions regarding the role of small insurers in the Program, to which comments are sought for use in the study that Treasury must conduct

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[1] Public Law 107–297, 116 Stat. 2322, codified at 15 U.S.C. 6701, note. As the provisions of TRIA (as amended) appear in a note, instead of particular sections, of the United States Code, the provisions of TRIA are identified by the sections of the law.

[2] TRIA sec. 104(h).

[3] 81 FR 11649 (Mar. 4, 2016).

concerning the participation of such insurers in the Program.

II. Data Collection Templates: Request for Comments

Pursuant to Section 104(h)(4) of TRIA, Treasury has determined that the needed information will not be available in a timely or meaningful manner from other sources. Accordingly, Treasury is requesting certain data and information directly from insurers, and will continue to work with publicly-available sources to gather additional information.

Based on feedback received following the voluntary 2016 data collection, and pursuant to 31 CFR 50.51(c), Treasury proposes to use four different data collection templates for future data collection. Insurers will fill out the template identified ''Insurer (Non-Small) Groups or Companies,'' unless the insurer meets the definition of a small insurer, captive insurer, or alien surplus lines insurer as set forth in 31 CFR 50.4. These insurers will be required to complete different and separate forms that have been more specifically tailored to their operations. Each form is accompanied by a separate ''data dictionary'' applicable to the form, in which specific instructions concerning each data element are provided.

Small insurers are defined in 31 CFR 50.4(z) as insurers (or an affiliated group of insurers) whose policyholder surplus for the immediately preceding year is less than five times the Program Trigger amount [4] for the current year, and whose TRIP-eligible lines direct earned premium for the previous year is also five times less than the Program Trigger amount. For the 2017 data collection, which is otherwise requesting information from calendar year 2016, this will require an insurer to have 2015 policyholder surplus and 2015 direct earned premium of less than $600,000,000 (or five times the 2016 Program Trigger of $120,000,000). In addition, and at least for purposes of data collection in calendar year 2017, to the extent a small insurer had less than $10,000,000 in TRIP-eligible lines direct earned premium in calendar year 2016, such insurer is not required to provide data. This $10,000,000 threshold is designed to further reduce the burden on small insurers that write only small amounts of TRIP-eligible lines insurance.[5]

Captive insurers are defined in 31 CFR 50.4(g) as insurers licensed under the captive insurance laws or regulations of any state. All captive insurers as defined, regardless of size, are required to complete the captive insurer template if the captive insurer writes some amount of terrorism risk insurance subject to the Program. To the extent a captive insurer writes policies in TRIP-eligible lines of insurance, but does not actually provide its insureds with any terrorism risk insurance subject to the Program, the captive insurer is not required to provide data.

Alien surplus lines insurers are defined in 31 CFR 50.4(o)(1)(i)(B) as insurers not licensed or admitted to engage in the business of providing primary or excess insurance in any state, but that are eligible surplus line insurers listed on the NAIC Quarterly Listing of Alien Insurers. To the extent an alien surplus lines insurer is part of a larger group that is subject to reporting under either the ''Insurer (Non-Small) Groups or Companies'' or ''Small Insurers'' template, the information for that alien surplus lines insurer should be reported as part of the larger group, using the proper template. The ''Alien Surplus Lines'' template is to be used by any other alien surplus lines insurer, regardless of size, that is not part of a larger group. Such alien surplus lines insurers must report, at least for calendar year 2017, even if they fall within the $10,000,000 premium threshold otherwise required for small insurers to report.

Insurers will be required to complete these forms online through a web portal that will be established for the calendar year 2017 collection, the link for which will be provided at a later date. Reporting for all Program participants for calendar year 2017 is mandatory, unless an insurer falls within the exceptions for certain small insurers and captive insurers as identified above. As was the case with the voluntary data call in calendar year 2016, Treasury intends to provide training and make available additional resources for insurers with questions during the data process about proper completion of the forms. To ensure efficient and accurate completion of the forms by affected insurers, Treasury is requesting the public's feedback on the content of these forms, which are now available through the Web site listed above.

III. Solicitation for Comments on Small Insurer Participation in the Program

Section 108(h) of TRIA requires the Secretary to conduct a study to identify any competitive challenges that small insurers, as now defined in 31 CFR 50.4(z), participating in the Program face in the terrorism risk insurance marketplace. As discussed above, Treasury will be collecting certain data from small insurers in calendar year 2017 which will be used in connection with the study. In addition, Treasury also requests comments concerning the participation of small insurers in the Program. Treasury welcomes comments concerning small insurer participation in the Program generally, and invites responses to the following particular issues:

(1) Changes to the market share, premium volume, and policyholder surplus of small insurers relative to large insurers.

(2) How the property and casualty insurance market for terrorism risk differs between small and large insurers, and whether such a difference exists within other perils.

(3) The impact of the Program's mandatory availability requirement under Section 103(c) of TRIA on small insurers.

(4) The effect of increasing the trigger amount for the Program under Section 103(e)(1)(B) of TRIA for small insurers.

(5) The availability and cost of private reinsurance for small insurers.

(6) The impact that State workers compensation laws have on small insurers and workers compensation carriers in the terrorism risk insurance marketplace.

IV. Procedural Requirements

Paperwork Reduction Act. The collection of information contained in this notice has been submitted to the Office of Management and Budget (OMB) for review under the requirements of the Paperwork Reduction Act, 44 U.S.C. 3507(d). Organizations and individuals desiring to submit comments concerning the collection of information in the notice should direct them to: Office of Management and Budget, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503. A copy of the comments should also be sent to Treasury at the addresses previously specified. Comments on the collection of information should be received by February 27, 2017.

[4] The Program Trigger amount is the amount of aggregate industry insured losses that must be exceeded before any Federal payments are made, even if a particular participating insurer has exceeded its deductible. *See* 31 CFR 50.4(p) and (v).

[5] To the extent an insurer with this level of TRIP-eligible lines direct earned premium is part of a larger group that is required to report, the experience of this insurer, even if it is under the $10,000,000 direct earned premium threshold, must be reported in connection with the appropriate form for the group as a whole.

Treasury specifically invites comments on: (a) Whether the proposed collection is responsive to the statutory requirement; (b) the accuracy of the estimate of the burden of the collections of information (*see below*); (c) ways to enhance the quality, utility, and clarity of the information collection; (d) ways to use automated collection techniques or other forms of information technology; and (e) estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to maintain the information.

Comments are being sought with respect to the collection of information in connection with data collection.

Treasury previously analyzed the potential burdens associated with the data collection process. See 81 FR 18950 (April 1, 2016). As explained previously, the data collection rules propose a mandatory annual data collection process (beginning in 2017) which will continue from year to year as the Program remains in effect. The information sought by Treasury will comprise data elements that insurers currently collect or generate, although not necessarily grouped together the way in which insurers currently collect and evaluate the data. Treasury currently anticipates that approximately 100 Program participants will be required to submit the ''Insurer (Non-Small) Groups or Companies'' data collection form, 300 Program participants will submit the ''Small Insurer'' form, 400 Program participants will submit the ''Captive Insurer'' form, and 75 Program participants will submit the ''Alien Surplus Lines Insurers'' form.

Each set of data collection forms is expected to incur a different level of burden. Treasury anticipates approximately 75 hours will be required to collect, process, and report the data for each Insurer (Non-Small) Group or Company, approximately 25 hours to collect, process, and report data for each Small Insurer, and approximately 50 hours to collect, process, and report data for each Captive Insurer and Alien Surplus Lines Insurer.

Assuming this breakdown, the estimated annual burden would be 38,750 hours (100 insurers × 75 hours + 300 insurers × 25 hours + 400 insurers × 50 hours + 75 insurers × 50 hours). At a blended, fully loaded hourly rate of $85, the cost would be $3,293,750 across the industry as a whole, or $6,375 per Insurer (Non-Small) Group or Company, $2,125 per Small Insurer, and $4,250 per Captive Insurer or Alien Surplus Lines Insurer.

Dated: December 20, 2016.

Michael T. McRaith,

Director, Federal Insurance Office.

[FR Doc. 2016–31238 Filed 12–23–16; 8:45 am]

BILLING CODE 4810–25–P

DEPARTMENT OF THE TREASURY

Guidance Concerning Stand-Alone Cyber Liability Insurance Policies Under the Terrorism Risk Insurance Program

AGENCY: Department of the Treasury, Departmental Offices.

ACTION: Notice of guidance.

SUMMARY: This notice provides guidance (Guidance) concerning the Terrorism Risk Insurance Program (Program) under the Terrorism Risk Insurance Act of 2002, as amended (''TRIA'' or ''the Act''). In this notice, the Department of the Treasury (Treasury) provides guidance regarding how insurance recently classified as ''Cyber Liability'' for purposes of reporting premiums and losses to state insurance regulators will be treated under TRIA and Treasury's regulations for the Program (Program regulations).

DATES: December 27, 2016.

FOR FURTHER INFORMATION CONTACT: Richard Ifft, Senior Insurance Regulatory Policy Analyst, Federal Insurance Office, 202–622–2922 (not a toll free number), Kevin Meehan, Senior Insurance Regulatory Policy Analyst, Federal Insurance Office, 202–622–7009 (not a toll free number), or Lindsey Baldwin, Senior Policy Analyst, Federal Insurance Office, 202–622–3220 (not a toll free number).

SUPPLEMENTARY INFORMATION:

This Guidance addresses the application of certain provisions of TRIA [1] and the Program regulations [2] with respect to certain insurance policies covering cyber-related risks. This Guidance may be relied upon by the members of the public unless superseded by subsequent amendments to the Program regulations, or by subsequent guidance.

I. Background

TRIA was enacted following the attacks on September 11, 2001, to address disruptions in the market for terrorism risk insurance, to help ensure the continued availability and affordability of commercial property and casualty insurance for terrorism risk, and to allow for the private markets to stabilize and build insurance capacity to absorb any future losses for terrorism events. TRIA requires insurers to ''make available'' terrorism risk insurance for commercial property and casualty losses resulting from certified acts of terrorism (insured losses), and provides for shared public and private compensation for such insured losses. The Secretary of the Treasury (Secretary) administers the Program; pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Federal Insurance Office assists the Secretary in administering the Program.[3] The Program has been reauthorized three times, most recently on January 12, 2015, when President Obama signed into law the Terrorism Risk Insurance Program Reauthorization Act of 2015, extending the Program until December 31, 2020.[4]

TRIA requires participating insurers to ''make available'' terrorism risk insurance in connection with ''property and casualty insurance'' as defined in the Act.[5] By regulation, Treasury has further defined ''property and casualty insurance'' by reference to the classification of certain lines of commercial insurance set forth in the National Association of Insurance Commissioner's Exhibit of Premiums and Losses (commonly known as Statutory Page 14).[6] Pursuant to the Program regulations, insurance reported on Statutory Page 14 under ''Line 17—Other Liability'' is generally subject to TRIP. However, insurance reported on that page as ''Professional Errors and Omissions Liability Insurance,'' a sub-line within ''Other Liability'' for state regulatory purposes, is expressly excluded from TRIP by the Act.[7] Under the Program regulations, ''professional liability insurance'' is defined consistently with ''Professional Errors and Omissions Liability Insurance'' as that term is defined for state law purposes.[8]

Cyber risk insurance is a broad term that includes insurance products covering risks arising ''from the use of

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[1] Public Law 107–297, 116 Stat. 2322, codified at 15 U.S.C. 6701, note. As the provisions of TRIA (as amended) appear in a note, instead of particular sections, of the United States Code, the provisions of TRIA are identified below by the sections of the law.

[2] 31 CFR part 50.

[3] 31 U.S.C. 313(c)(1)(D).

[4] Public Law 114–1, 129 Stat. 3.

[5] TRIA sec. 103(c) (''make available'' requirement); *id.,* sec. 102(11) (definition of ''property and casualty insurance'').

[6] 31 CFR 50.4(w).

[7] TRIA sec. 102(11)(xi) (excluding ''professional liability insurance''); *see also* 31 CFR 50.4(w)(2)(xi).

[8] 31 CFR 50.4(t); *compare* National Association of Insurance Commissioners, Uniform Property & Casualty Product Coding Matrix (Effective January 1, 2016) (NAIC 2016 P/C Product Coding Matrix), p. 9, *available at http://www.naic.org/documents/industry_pcm_p_c_2016.pdf.*